

Sikkim Public Service Commission

Written Examination for the post of Cooperative Inspector and Cooperative Auditor

PAPER - II COOPERATION

Time Allowed: 3.00 hours

Maximum Marks: 200

INSTRUCTIONS TO CANDIDATES

Read the instructions carefully before answering the questions: -

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS BOOKLET DOES NOT HAVE ANY UNPRINTED, TORN OR MISSING PAGES OR ITEMS. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.
2. Use only Black Ball Point Pen to fill the OMR Sheet.
3. Please note that it is the candidate's responsibility to fill in the Roll Number carefully without any omission or discrepancy at the appropriate places in the OMR ANSWER SHEET as well as on SEPARATE ANSWER BOOKLET for Conventional Type Questions. Any omission/discrepancy will render the Answer Sheet liable for rejection.
4. Do not write anything else on the OMR Answer Sheet except the required information.
5. This Test Booklet is divided into three sections - Section A (100 marks), Section B(50 marks) and Section C(50marks).
6. Section A is MCQ which has to be answered in the OMR Sheet provided to the candidate. Section B and Section C contain conventional questions which have to be answered in the Answer Sheet. All Sections are Compulsory.
7. Before you proceed to mark in the OMR Answer Sheet, you have to fill in some particulars as per given instructions.
8. After you have completed filling in all your responses on the OMR Answer Sheet and the examination has concluded, you should hand over the OMR Answer Sheets and the Answer Booklets to the Invigilator only. You are permitted to take with you the Test Booklet.
9. **Marking Scheme**
THERE WILL BE NEGATIVE MARKING FOR WRONG ANSWERS MARKED BY A CANDIDATE IN THE OBJECTIVE TYPE QUESTIONS
 - (i) There are four alternatives for the answer to every question. For each question for which a wrong answer has been given by the candidate, one-third of the marks assigned to the question will be deducted as penalty.
 - (ii) If a candidate gives more than one answer, it will be treated as a wrong answer even if one of the given answers happens to be correct and there will be same penalty as above to the question.
 - (iii) If a question is left blank. i.e., no answer is given by the candidate; there will be no penalty for that question.

DO NOT OPEN THIS TEST BOOKLET UNTIL YOU ARE ASKED TO DO SO

SECTION – A

(Multiple Choice Questions)

Choose the correct answer for the following. Each question carries 2 marks. (50x2=100)

- 1. Co-operative movement originated first in:**
(A) Germany
(B) England
(C) France
(D) Spain
- 2. The members of a Co-operative Society have _____ liability.**
(A) Limited
(B) Unlimited
(C) Joint
(D) Joint and Several
- 3. The word literally means to work together or act together:**
(A) Organization
(B) Company
(C) Co-operation
(D) Association
- 4. The Urban Credit Cooperatives are also commonly known as _____.**
(A) Urban Cooperative Banks
(B) Cooperative Banks
(C) National Banks
(D) None of the above
- 5. The _____ controls the cooperative banks that fall under the Banking Regulation Act of 1949.**
(A) Reserve Bank of India
(B) NABARD
(C) National Cooperative Union of India
(D) None of the above
- 6. On which Commission's recommendations was the Reserve Bank of India established?**
(A) Chamberlain Commission
(B) Hilton Young Commission
(C) Keynes Commission
(D) None of the above

7. **Patents, Copyrights and Trademarks are: -**
(A) Current Assets
(B) Fixed Assets
(C) Intangible Assets
(D) Investment
8. **Which among the following is incorrect?**
(A) RBI is the Bank of Issue
(B) RBI acts as Banker to the Government
(C) RBI is Banker's Bank
(D) RBI does not regulate the flow of credit
9. **When did the Reserve Bank of India notify the draft regulations relating to the Credit Information Companies (Regulation) Act, 2005?**
(A) April 5, 2006
(B) May 26, 2006
(C) June 29, 2007
(D) September 30, 2005
10. **When was RBI nationalised?**
(A) January 1, 1949
(B) January 1, 1950
(C) January 1, 1947
(D) January 1, 1956
11. **The financial year of the RBI starts from _____**
(A) July 1 – June 30
(B) August 1 – July 31
(C) January 1 – December 31
(D) April 1 – March 31
12. **The basic idea behind co-operation is:**
(A) Self-help and mutual help
(B) Self help
(C) Mutual help
(D) Each for all and all for each
13. **_____ is based on the principle of self-interest, maximization of profits.**
(A) Co-operation
(B) Capitalism
(C) Socialism
(D) Trade unionism

14. **NAFED stands for**
(A) National Agricultural Cooperative Marketing Federation
(B) National Agricultural and Fisheries Marketing Federation
(C) National Association of Fisheries Marketing Federation
(D) National Apex Federation
15. **_____ is not a function of RBI.**
(A) Credit Control
(B) Custodian to cash
(C) Lender to last resort
(D) Issue Industrial Policy
16. **The main objective of book-keeping is:**
(A) Complete recording of transactions
(B) Ascertainment of financial effect on the business
(C) Analysis and interpretation of data
(D) Both 'A' and 'B'
17. **Which of the following is not a limitation of accounting?**
(A) Based on Accounting Convention
(B) Evidence in Legal Matters
(C) Incomplete Information
(D) Omission of Qualitative Information
18. **Which of the following transactions is not of financial character?**
(A) Purchase of goods on credit
(B) Purchase of a building
(C) Payment of salaries
(D) Strike by employees
19. **Cash discount is which is_____.**
(A) allowed at the time of making the payment
(B) allowed at the time of sale of goods
(C) received at the time of purchases of goods
(D) received both at the time of making payment and purchase of goods
20. **Due to which of the following, contingent liabilities are shown in the Balance Sheet?**
(A) Dual aspect
(B) Full disclosure
(C) Materiality
(D) Going concern
21. **Income is measured based on**
(A) Matching concept
(B) Consistency
(C) Cost
(D) None of the above

22. Which accounting standard is applicable for intangible assets?
(A) AS- 10
(B) AS-6
(C) AS-26
(D) AS-3
23. Which among the following is correct?
(A) Opening capital = opening total assets – closing total assets
(B) Closing capital = opening total liabilities + closing total liabilities
(C) Opening capital = opening total assets – opening total liabilities
(D) Closing capital = opening total assets + closing total assets
24. The most common impress system is the _____ system.
(A) Petty cash
(B) Cash book
(C) Cash receipt
(D) Discount
25. Cash discount is allowed on _____ repayment of debt.
(A) Lump sum
(B) Prompt
(C) Actual
(D) None of them
26. _____ is not a subsidiary book.
(A) Purchase book
(B) Purchases return book
(C) Sales book
(D) Ledger
27. A _____ is sent to a supplier when we return goods.
(A) Debit note
(B) Credit note
(C) Proforma invoice
(D) None of these
28. The main purpose of preparing a bank reconciliation statement is?
(A) To know the bank balance
(B) To know the balance of bank statement
(C) To correct the cash book
(D) To identify causes of difference between cash book and bank Statement

29. When credit balances = debit balances, the trial balance check and shows _____. It also indicates that there were no errors made during posting and recording and posting.
- (A) Understatements of Balances
 - (B) Errors of Commission
 - (C) Arithmetic Accuracy
 - (D) Omissions of Economic Events
30. Which items influence the trial balance agreement?
- (A) Deposit in transit
 - (B) Compensating errors
 - (C) Complete omission of a transaction
 - (D) Partial omission of a transaction
31. The process of transferring the debit and credit items from a journal to their respective account in the ledger is termed as?
- (A) Balancing
 - (B) Posting
 - (C) Arithmetic
 - (D) Entry
32. If debit side of bank account is greater than credit side it represents?
- (A) Cash at Bank
 - (B) Bank Loan
 - (C) Bank Overdraft
 - (D) None of them
33. According to Balance Sheet equation concept, the capital will be—
- (A) Capital = Liabilities – Assets
 - (B) Capital = Fixed Assets – Current Assets
 - (C) Capital = Assets – Liabilities
 - (D) Capital = Assets + Liabilities
34. Return of goods by a customer is recorded in—
- (A) Purchase book
 - (B) Sales book
 - (C) Sales return book
 - (D) Purchase return book.
35. If the two sides of trial balance do not tally, which Account is opened?
- (A) Suspense Account
 - (B) Personal Account
 - (C) Real Account
 - (D) None of these.

36. What kind of accuracy is tested by trial balance-
- (A) Theoretical
 - (B) Practical
 - (C) Arithmetical
 - (D) None of the above
37. The Mathematical Expression defining the comparative relationship between Assets and Liabilities of any person, Institution or Business concern is called-
- (A) Accounting
 - (B) Book – keeping
 - (C) Accounting Equation
 - (D) None of these.
38. Cash – book always show-
- (A) Debit balance
 - (B) Credit balance
 - (C) Debit or Credit balance
 - (D) None of these.
39. The entry which affects cash and bank column of a triple column cash book is known as
- (A) Compound entry
 - (B) Contra entry
 - (C) Journal entry
 - (D) None of these.
40. In India, the accounting standard board was set up in the year-
- (A) 1972
 - (B) 1977
 - (C) 1956
 - (D) 1932.
41. Final Accounts of a Co-operative Society should be made within___ days of close of accounting year
- (A) 90 Days
 - (B) 45 Days
 - (C) 60 Days
 - (D) 120 Days
42. Capital of a co-operative society is in the form of
- (a) share capital
 - (b) ear-marked fund
 - (c) corpus fund
 - (d) none of the above

43. In the case of a co-operative society, if interest received during the current year is Rs. 6,250; interest receivable during the previous year is Rs. 1000 and interest outstanding now is Rs. 1,750, then how much net interest should be shown in the financial statement of the society?
- (A) Rs. 8,000
 - (B) Rs. 7,000
 - (C) Rs. 6,250
 - (D) Rs. 9,000
44. Which of the following companies need to pay corporation tax?
- (A) Co-operative society
 - (B) Limited Liability Company
 - (C) Partnership Company
 - (D) Sole trading company
45. Which of the following Act structured and shaped the cooperative movement in India?
- (A) Deccan Agriculture Relief Act (1879)
 - (B) Cooperative Credit Societies Act, 1904
 - (C) Land Improvement Loan Act (1883)
 - (D) Agriculturists Loan Act (1884)
46. The maximum Audit Fee payable by a society shall not exceed _____ rupees
- (A) 5,00,000
 - (B) 3,00,000
 - (C) 2,00,000
 - (D) 1,00,000
47. The Director of Co-operative Audit shall be competent to appoint auditors specially for the audit of one or more societies, having working capital or annual sales proceeds exceeding:
- (A) Rs. 5 lakhs
 - (B) Rs. 10 lakhs
 - (C) Rs. 15 lakhs
 - (D) Rs. 25 lakhs
48. Co-operative societies maintain accounts as per co-operative societies' _____.
- (A) Rule 29
 - (B) Rule 35
 - (C) Rule 15
 - (D) None of these

49. _____ represents the initial contribution made by a member towards the resources of the society for the purpose of getting the benefits from the society.

- (A) Entrance Fee
- (B) Admission Fee
- (C) Share Capital
- (D) Corpus

50. Amount given by the government in which there is no repayment expected is called _____.

- (A) Grant
- (B) Loan
- (C) Advance
- (D) Subsidy

SECTION – B

Attempt any 5 (five) from Questions 51 to 58. Each question carries 10 marks. (5x10=50)

51. What are the functions of Cooperative Banks?
52. Write short notes on following:
(A) Outstanding Expenses
(B) Prepaid Expenses
(C) Accrued Income
(D) Income Received In advance
53. What are the methods of preparing trial balance? Explain them.
54. On comparing the cash book with passbook of Aman Cooperative Society, it is found that on March 31, 2014, bank balance of ₹ 40,960 showed by the cash book differs from the bank balance with regard to the following:
1. Bank charges ₹ 100 on March 31, 2014, are not entered in the cash book.
 2. On March 21, 2014, a debtor paid ₹ 2,000 into the company's bank in settlement of his account, but no entry was made in the cash book of the company in respect of this.
 3. Cheques totalling ₹ 12,980 were issued by the company and duly recorded in the cash book before March 31, 2014 but had not been presented at the bank for payment until after that date.
 4. A bill for ₹ 6,900 discounted with the bank is entered in the cash book with recording the discount charge of ₹ 800.
 5. ₹ 3,520 is entered in the cash book as paid into bank on March 31st, 2014, but not credited by the bank until the following day.
 6. No entry has been made in the cash book to record the dishonour on March 15, 2014 of a cheque for ₹ 650 received from Bhanu. Prepare a reconciliation statement as on March 31, 2014.
55. What is petty cash book? How it is prepared?
56. State the 3 (three) fundamental steps in the accounting process.
57. What is Audit Compliance Report? How it is prepared?
58. What are the responsibilities of an auditor in respect of Cooperative Society Audit?

SECTION – C

Answer any 2 (two) from Questions 59 to 62. Each question carries 25 marks. (2x25=50)

59. Prepare a trading and profit and loss account for the year ending December 31, 2020 from the balances extracted of a Cooperative Society. Also prepare a balance sheet at the end of the year.

Account Title	Amount (Rs)	Account Title	Amount (Rs)
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchases return	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	Provision for doubtful debts	2,500
Sales return	3,000	Capital	3,00,000
Sundry Debtors	82,000	Bills payable	22,000
Discount allowed	1,000	Commission received	4,000
Insurance	3,200	Rent	6,000
Rent Rates and Taxes	4,300	Loan	34,800
Fixtures and fittings	20,000		
Trade expenses	1,500		
Bad debts	2,000		
Drawings	32,000		
Repair and renewals	1,600		
Travelling expenses	4,200		
Postage	300		
Telegram expenses	200		
Legal fees	500		
Bills receivable	50,000		
Building	1,10,000		
	5,51,800		5,51,800

Adjustments

- a) Commission received in advance Rs 1,000.
- b) Rent receivable Rs 2,000.
- c) Salary outstanding Rs 1,000 and insurance prepaid Rs 800.
- d) Further bad debts Rs 1,000 and provision for doubtful debts @ 5% on debtors and discount on debtors @ 2%.
- e) Closing stock Rs 32,000.
- f) Depreciation on building @ 6% p.a.

60. Write A note on Cooperative Movement in India after Independence

61. Prepare Two Column Cash Book from the following transactions and balance the book on 31st January, 2019: -

2019	Transactions
Jan. 1	Cash in hand ₹ 50,000; Bank overdraft ₹ 1,90,000.
Jan. 2	Purchased goods from Rajesh Kumar of the list price of ₹ 50,000 at 5% trade discount and payment made by cheque.
Jan. 6	Goods sold for ₹ 80,000 and payment received by cheque. Cheque deposited into Bank on same day.
Jan. 10	Goods purchased for cash ₹ 19,800.
Jan. 15	Furniture sold for ₹ 1,77,000 and payment received by cheque & cheque deposited into Bank on same day.
Jan. 18	Salaries paid ₹ 4,500.
Jan. 21	Settled the amount due to Ram ₹ 2,000 by paying cash ₹ 1,910.
Jan. 22	Cash received from Jai ₹ 14,780 in full settlement of his account of ₹ 15,000.
Jan. 23	Paid Life Insurance premium ₹ 1,500.
Jan. 31	Deposited with bank the entire balance after retaining ₹ 7,000 cash in hand.

62. Explain in detail the role and function of the Reserve Bank of India.
